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Challenge!





Impressions of an Architecture — Argentina, Bolivia and Paraguay

(Excerpted from *Americas*, Nov. — Dec. 1979)

On my recent survey of new construction in South America I spent only two weeks in Buenos Aires. The only positive thing I found happening there now — at least in avant-garde architecture on a large scale — is that finally (after ten years of delays), the mass of what will be the new National Library is emerging from the ground. The competition for this project was won by Clorindo Testa, Francisco Bullrich, and Bullrich's late wife, Alicia.

Other than that, I found no interesting ventures that could cause a healthy shock wave, as did the Bank of London (Testa and associates) and the Municipal Loan Bank and its branches (Justo Solsona and associates) more than a decade ago. Like it or not, burdened by its impossibly long and narrow lots and by its stringent municipal regulations, Buenos Aires contents itself today with its conventional narrow facades and its monstrous dividing walls, "decorated" with notices that are always abusive. At best, what continues to grow in the "pampa of air" are office and residential towers, monotonous and unimaginative.

Nonetheless, there still seems to be talent, especially among the youngest. This could be seen recently, at least in theory, in the design competition for the new Buenos Aires city auditorium, which was won by Miguel Baudizzone, Antonio Diaz, Jorge Erbin, Jorge Lestard, and Alberto Varas.

The other designs also were of very high quality, confirming the suspicion that if Argentina is no longer producing important works of architecture it is mainly because of the unfavorable economic situation that has afflicted the country for some years.

My opinion of the little I saw in Asuncion, Paraguay, must be unwillingly partial. In its physical aspect, the city in its natural setting of ravines, river, and wooded groves under a placid sky continues to be an ideal urban site.

On my first visits to Asuncion I was searching for a colonial art that has all but vanished; now what I was looking for was a modern architecture that might develop a character of its own. I soon became convinced that there has not as yet been such a development. Still, I had occasion to visit a radio station with light, clean lines, and a deliberately informal dance hall, both designed by Jose Puentes, a young architect born in Argentina and now a naturalized Paraguayan citizen. I also saw some curious private houses from the drawing board of Genaro Espinola. Several others, no less interesting — and which I had already seen in photographs — were designed by the architect and painter Carlos Colombino, one of the most outstanding individuals in Paraguay.

Some of Espinola's houses are "imitation ruins," which makes little sense in a country that urgently needs new buildings. In other words, what I saw did not tell me that contemporary Paraguay is about to develop a true local style of major importance. One looks in vain there for a native architecture inspired, for example, by climatic conditions, or by local building materials or techniques. Save in some houses designed by Colombina, what I saw did not even reflect a tropical way of life, with large shaded areas or the cross-ventilation so desirable in hot climates.

The buildings I visited seemed at most timid and modest imitations of an anonymous international style, which seeks surprising forms and effects and is satisfied with air conditioning units that not only must solve the problems of climate but unquestionably are also intended to be a symbol of high social position.

In Bolivia — rather, in La Paz — my surprise was unbounded, especially at the tremendous vegetative growth, though not as much at the architectural and urbanist quality of that growth. In just a few years the whole city has experienced a colossal vertical development, to the point that I scarcely recognized it on the ride in from the highest airport in the world. Perhaps with the sole exception of the Hotel Sheraton, designed by the Argentine firm of Sanchez Elia, Peralta Ramos, and Agostini, new construction continues to be routine and guided by standards of "modernity" imposed from outside.

Very interesting, in contrast, were the designs of the local architect Gustavo Medeiros, working with his team. One of these — which I was able to study through very complete documentation — is an urban development project whose backbone is an outdoor monorail running the entire length of the valley of La Paz, flanked by a series of monumental buildings that will spread out horizontally, without rising much higher than the present city skyline. This design is still awaiting a favorable decision of the authorities.

Meanwhile, the government of Bolivia has engaged Medeiros and his team to study ways of protecting the old center of La Paz. These architects have worked with experts and historians specializing in the different aspects of the problem. The report comprises several thick volumes which I was able to consult in Medeiros' office. He and his colleagues have reached the conclusion that only six colonial houses can be rescued in the old heart of the city. As a matter of fact, the vast majority of the buildings date from the nineteenth century, which in Bolivia is usually known as the "Republican period," and whose style is more or less a modest neoclassicism.

Written by Damian Bayon, Argentine historian, professor and art critic.

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Conversions of Obsolete Buildings Prove Profitable

by Marilyn Harra

With today's boom in real estate, and in condominiums and co-ops in particular, many amateur investors and developers are flocking to pick up their piece of the action. Like any major undertaking, amateur efforts untempered by professional guidance can be disastrous.

The basic question, of course, is whether or not acquisition of an obsolete building for conversion to new housing stock is economically feasible. Many beginners – and a disturbingly large number of established developers – take an unrealistic view of the marketability of conversion.

One of my basic aims has been to reconcile in the developer's mind a reasonable price in comparison with what's going on in the resale market in nearby or like areas. A basic rule of thumb is that a new conversion apartment will bring 35 percent - 49 percent less on the market than a comparable resale. Of course, with subsequent turnover these apartments frequently appreciate greatly, but my responsibility to the developer is to let him have an accurate estimate of what he can realize in marketing the units.

Prime candidates for conversion to condominium or co-op apartments are:

- Abandoned rooming houses – which

175 E. 73rd St.



frequently started as luxurious townhouses and often have lovely old details such as ornamental moldings, marble fireplaces, and elaborate window treatments which can be preserved to lend a special elegance to the new apartments.

- **Former hospitals** – Today's high-technology medicine has seen the demise of many fine old private hospitals. In addition to prime residential locations, a former hospital offers soundproof, fireproof construction which could not today be duplicated at moderate cost.

- **Brownstones** – a favorite in the conversion and revival market. Brownstones feature high ceilings, hardwood floors, and unusually sturdy construction with brick walls and interior room partitions of plaster, which guarantee quieter apartments than could be realized with today's plasterboard construction.

- **Warehouses and manufacturing facilities** – frequently located at major transportation links and convenient to business sections. These conversions are particularly appealing to young professionals and two-income households.

- **Lofts** – Once the refuge of artists, are today achieving great popularity among professional people and young families. Lofts offer vast stretches of space which

can be left open or partitioned as desired. Especially high ceilings allow for dramatic treatments of loft beds and self-standing furniture units. Most lofts have unusually high and broad windows, which combine with the high ceilings for an unparalleled sense of space and light.

Properties considered for recycling into condos or co-ops are frequently located outside of areas normally considered for this type of residence. These off-the-beaten path locations make for economy and certain advantages, but there can be drawbacks as well. A great deal has been written about the residential development of the Wall Street area, for example, and these new apartments do offer people working in lower Manhattan an unprecedented opportunity to reside within walking distance of their offices. New purchasers must realize, however, that they are in a sense "pioneers," and be prepared for the inconvenience of having to travel some distance to dry-cleaners or supermarkets. Too, they may find their immediate neighborhoods frighteningly dark and deserted at night. But it has been our experience that one conversion spawns the next, and in short order an isolated conversion becomes the hub of a totally renovated block. Incidentally, statistics prove these new areas to be actually safer than most established sections. Apparently, thieves and muggers don't feel a sparsely populated block offers sufficient opportunity.

Because these new neighborhoods lack sale price barometers, it is usually very difficult to predict what the market will be for conversion units. Experience in nearby or similar areas where new conversions are taking place can serve as a reliable guide to what the developer may reasonably expect to realize. In these matters, close touch with current markets is vital in determining future sales prices. Published sales prices are generally six to nine months in the future. And in today's markets, availability of financing for purchasers is a prime consideration.

Interestingly enough, our firm's resale market for luxury penthouses in the \$750,000-plus range is continuing to escalate, with financing presenting no problem whatsoever. In fact, prospective purchasers are bidding competitively for apartments on an all-cash basis. It is, however, the middle-priced co-op or condo purchaser who is being caught in the finance squeeze. Each additional point on the interest rate serves to filter out just that many more prospective purchasers.

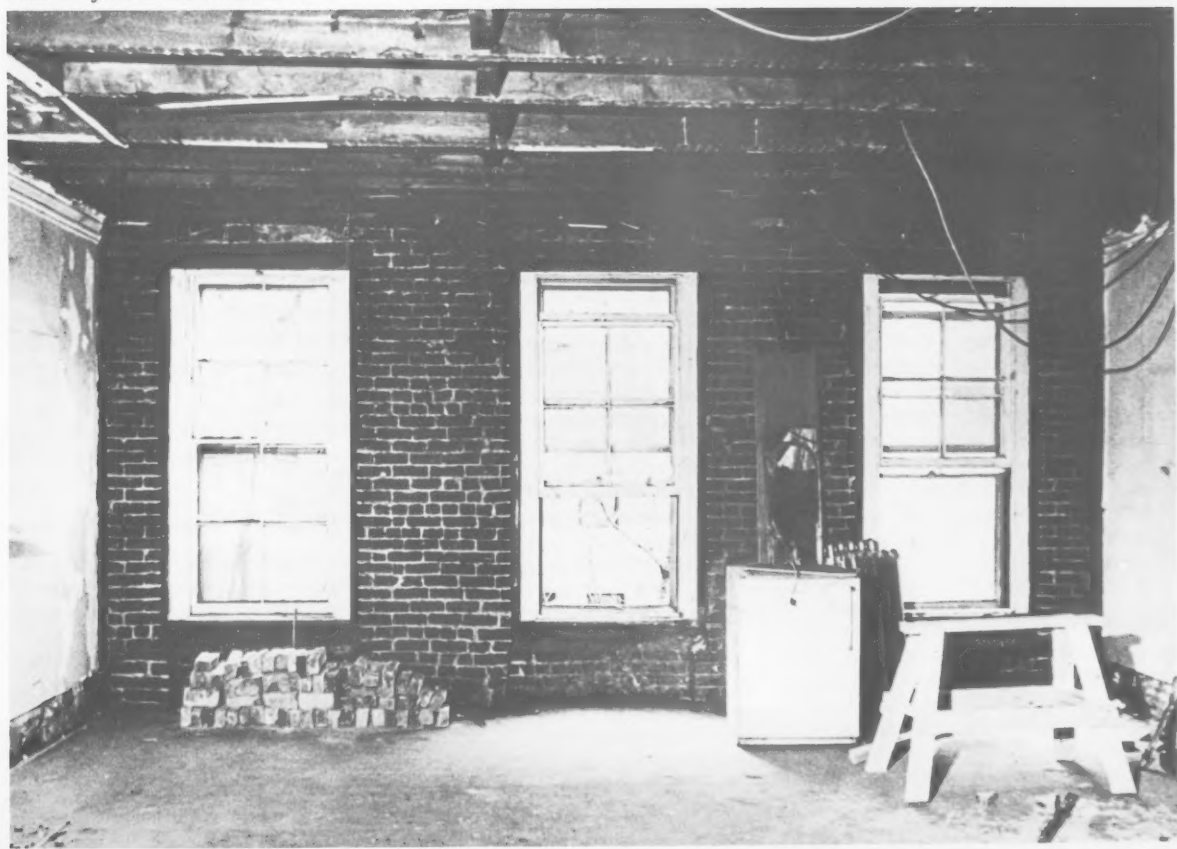
Another major factor in arriving at sales prices will be our determination of a "gap" in price ranges. We deal with many prospective buyers who are able to spend a given amount of money for their space requirements, but find that there simply exists nothing in that particular range. More succinctly, we have a pool of prospective buyers who can't afford prices prevailing in certain neighborhoods, but who might very well be induced to compromise neighborhood for amenities, or vice versa. Here is where a vigorous customer follow-up program can be invaluable.

A discussion of some of our recent projects should illustrate typical conversion problems and their solutions. (While we specialize in Manhattan, the principles guiding us are appropriate throughout the United States.)

Rooming House Conversions

We were approached by Scott Leisner and Steve Lerner – two young, aggressive and innovative developers relatively new to conversions – to inspect a five-story rooming house at 175 East 73rd Street. The top location of the building made it a very desirable candidate for conversion to co-op apartments. We reviewed the floor plans together, and discussed what would be salable in this neighborhood, including preferred size of apartments and amenities. While working with the architects' plans, I suggested some modifications such as stairwell placement, colored tile baths, oak kitchen cabinets,

Interior of the 73rd St. address



Before renovation

and light fixtures in keeping with the building's Federal period design.

Looking at some of our other prime-location properties — current prices that apartments were contracting out for, and what offers were being accepted — I worked up projections of sales prices for the new apartments. Actually, it is the resale market which sets the scale for the conversion market. But I will tend to discount conversion prices from comparable resale apartment prices. The reasons for this are obvious: with a conversion the sponsor has a number of apartments for sale, and is anxious to sell them in the least possible time in order to recover the investment. Example: in the same neighborhood as this conversion, a five-room resale apartment in an "established" building will sell for \$250,000. Accordingly I recommended that the sponsors price comparable apartments at \$150,000-\$175,000 to assure fast sellout.

My projection for selling prices for the five apartments in this building gave Scott and Steve the "bottom line" figures which they could expect to get out of the building. Since there were no major construction problems, the developers were left to consider their costs and thus determine if the project would be worthwhile. In addition to initial purchase

price, the developer must consider construction costs, architect, engineering, and attorneys fees, and publicity, promotion, and sales materials and services.

Here, the developers determined to proceed with the project, and as construction neared completion I again stepped in to offer recommendations for final touches. To enhance the charming Federal townhouse exterior, I suggested installing a small garden in front and painting the building an off-white with black shutters at the windows. The sponsors were professionals, and so took our advice wherever economically feasible. I tend to be compulsive when it comes to details, and will never say "Yes" until I feel something is right. Creating the perfect mood in an apartment through attention to details can make a difference of \$20,000 to \$25,000 in the selling price. I can't overemphasize the emotional appeal small details can create. In purchasing a residence, people look for more than a dollar-and-cents value. Although most people will have to compromise price, size, location, etc., they can be assuaged by special eye appeal. The right kitchen and bathroom fixtures, lighting fixtures, and window or stairway treatment — accomplished at little or no additional cost to the developer — can make people fall in love

with an apartment and make the compromise much smaller.

As prospectus neared completion, I determined that the final pricing of the apartments was very close to my original estimates. Now the shares in the cooperative had to be allocated according to the price of the apartments. It is of utmost importance that an attorney experienced in condominiums or co-ops does the plan, for everything set forth therein must be strictly adhered to. Sponsors frequently ask us to recommend an attorney, and we have a long list of specialists in this area. These are real estate attorneys who know how to put together a co-op or condo plan to avoid subsequent problems. I urge any developer considering an attorney to ask what plans he's done; in all major undertakings, it is advisable to deal with professionals who specialize.

Once the apartments were ready for sale, I launched a creative advertising campaign describing unique features of the apartments. Our public relations firm joined in an aggressive publicity effort, resulting in major TV exposure. In turn, we later capitalized on this exposure, through inclusion in paid ads.

Since 175 East 73rd Street was a joint venture with a bank, financing proved no problem in sales of the completed apartments. The property was sold out in 90 days.

Hospital Conversions

A developer who had recently completed conversion of a hospital to apartments called me in to estimate sales prices for apartments to be created from the abandoned Trafalgar Hospital. The 161 East 90th Street address in Manhattan's Carnegie Hill, one of the prime public school districts in the City, augured well for the creation of 2-bedroom and 3-bedroom apartments for families. It was decided that every one of the bottom eight floors would contain one 1-bedroom, one

2-bedroom, and one 3-bedroom apartment. The penthouse floor comprised three 1-bedroom apartments with large private terraces. Since the entire block was undergoing major reconstruction and upgrading, and because of the basic soundness of the hospital structure, this promised to be an especially good candidate for conversion. Sales prices ranged from \$87,400 to \$177,100 for a high-floor 3-bedroom apartment.

The sponsor of the new Trafalgar Court has filed for local tax abatement, which would provide for exceptionally low monthly maintenance charges. Cooperative share allocation and individual maintenance costs were developed for approval by the State Attorney General's office.

As the project neared completion, I prepared a sales brochure and embarked on an intensive public relation and marketing campaign following our proven pattern. The uniqueness of the conversion enabled us to gain maximum publicity, resulting in two feature articles in the *New York Daily* and *Sunday News* and exposure on the WABC-TV evening news, as well as a number of trade publications, which enhanced the developer's reputation and peer recognition.

This 27-unit building is now 90 percent sold out a short month after final plan approval.

Commercial Building Conversions

A particularly challenging project was the conversion of a 12-story commercial building at 28-30 West 38th Street. This block between Fifth and Sixth Avenues consisted entirely of manufacturing lofts at the time this conversion was effected. In this case, we were called in in April 1979 to price co-ops which would not be available until October. We felt it was too early to project the mercurial market conditions. It was questionable how far mortgage rates would soar in those months



After renovation

and how many prospective purchasers in this brand-new area would qualify at the higher rates for such mortgages. We re-entered the picture in early September, at which time we launched our sales campaign at prices of \$83,000 to \$110,000. Our ads in the *Village Voice* drew hundreds of responses, but upon seeing the area many people were discouraged despite the enormous lofts — only two to a floor — of 1,800 square feet, 11½-foot ceilings and enormous windows on three sides.

Obviously, we had to develop a new market for this project. My immediate reaction was to check over prospective purchasers of previous properties where deals had fallen through. We already know what those people wanted, and by matching up those to whom the special features would appeal and whose financial limitations restricted their area of choice, we quickly reached out to pre-qualified buyers.

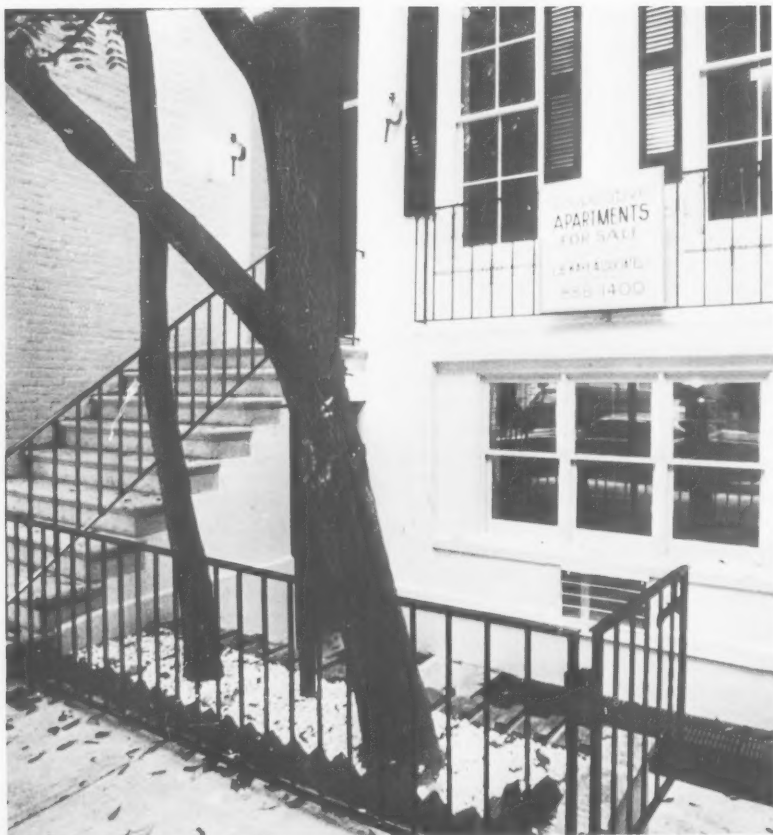
Here, good merchandising and identification of prospects resulted in a complete sellout within five weeks of opening. The sponsors are currently converting a smaller adjoining building, and I am convinced that the block will be residential in five years.

Loft Conversions

L.B. Kaye pressed further into the exploding loft market with additional properties at 133 West 17th Street and 200 Mercer Street — Manhattan's poplar SoHo and Greenwich Village. One of the greatest drawbacks to loft conversions had been satisfying requirements to obtain a Certificate of Occupancy, and here is a perfect example of the importance of dealing with professionals — developers, contractors, and attorneys. Those involved in these projects were specialists in the area, and enabled us to put together packages which would meet existing specifications for Occupancy Certificates, thus assuring purchasers legality, luxury and location. For the first time, we saw large numbers of professional and business people gravitating to the luxurious open spaces afforded only by loft facilities.

In all of the examples I've described, we've been careful to seek out the most experienced professionals along every step of the conversion. Whenever a market prospers like today's condo and co-op market, newcomers entering the field tend to minimize risks and responsibilities and look to make a quick killing. They'll often try to cut corners to maximize their profits, and end up taking a financial beating. Sponsors who overprice their projects will

Creative advertising describes unique features of each dwelling.



have funds tied up for unnecessary periods of time and require extended advertising and sales services needlessly. Those who underprice for quick sale, or who undertake to set their prices arbitrarily, can lose hundreds of thousands of dollars. And, in dealing with co-ops or condos, incorrect pricing can lead to filing a complete new plan with the Attorney General to effect price revisions. That in itself will delay sales at least another six weeks.

The best advice: work closely with professionals.

Ms. Harra is Senior Vice President, L.B. Kaye Associates, Ltd., New York City.



Harborplace Limited Partnership, an affiliate of the Rouse Company, received HUD's Minority Contractors Utilization Award for its promotion of the use of minority entrepreneurs in the construction and operation of Harborplace. Harborplace is a privately funded development of shops and restaurants on urban renewal land located in the Inner Harbor area of Baltimore City. It officially opened its doors to the public on July 2, 1980.

HUD Regional Administrator Thomas C. Maloney made the presentation to Mathias J. DeVito, President and Chief Executive Officer of the Rouse Company at a ceremony in Harborplace's Light Street Pavilion. Participating in the award ceremony were Baltimore Mayor William Donald Schaefer, representatives from congressional offices, and individuals who helped Harborplace achieve its affirmative action goals.

Regional Administrator Thomas C. Maloney said, "Harborplace Limited Partnership put forth extraordinary efforts to facilitate the recruitment and utilization of the skills of minorities as subcontractors in the construction of Harborplace; but equally significant were the innovative ways employed by the partnership to encourage minority owned and operated businesses to lease space in the project."

The purpose of the HUD Award Program is to recognize the efforts of developers, builders and major contractors active in HUD assisted programs who fully and effectively support the objectives of the President's Executive Order 11625 and who have effectively utilized the skills and services of minority businesses. Executive Order 11625 promotes the utilization of minority entrepreneurs by recipients of Federal monies.

Criteria used by HUD in selecting recipients for the Minority Utilization Award state:

- Minority contractors must have been utilized for at least one year.
- Minority entrepreneurs must have received substantial business opportunities.
- The overall benefit to the minority contractors should be significant and tangible.

The total project cost of Harborplace was \$18 million. The minority subcontracting opportunities that resulted through Harborplace's efforts were in excess of 10 percent of the prime construction contract, which was the specified goal targeted to be let to minority subcontractors. The minority construction work force employed on the job exceeded 40 percent of all construction workers, which exceeded the 25 percent goal set by Harborplace.

In terms of the leasing of the retail space, Harborplace was determined to organize a special effort to identify minorities who could be successful merchants; to assist them in finding sources of financing and in addressing management and merchandizing

problems; and to help in whatever ways were possible in order that they may become successful merchants. As a result of this commitment, 22 of the 130 merchants are minorities; of these minorities, 18 are black. In addition, 53 of the businesses are owned by women.

With regard to the staffing of Harborplace, the partnership committed itself to have 50 percent of all new jobs with Harborplace Limited Partnership filled by minorities and to facilitate the employment of minorities by the tenants of Harborplace by referring job applicants from Baltimore City to tenants. Both of these goals are being met. Of the 22 people hired by Harborplace for the security force, 20 are black and 11 are women. Of these, three are supervisors and three are assistant supervisors. Harborplace's maintenance crew numbers 65 people, of which 61 are black including the supervisor of maintenance.

As a result of the Harborplace Referral Service, a unique referral service developed in cooperation between the Mayor's Office of Manpower Resources and Harborplace, Baltimore City residents are referred to Harborplace merchants for employment. As of mid-June, 252 people were hired by merchants through this process. Of these new employees, 61 percent are black, 51 percent are females and 95 percent are Baltimore City residents.



Pictured at the presentation of HUD's Minority Business Utilization Award to Baltimore's Harborplace Limited Partnership are: (l. to r.) Thomas Maloney, Regional Administrator, HUD Philadelphia Regional Office; Mathias J. DeVito, President and Chief Executive Officer of the Rouse Company; and, Mayor William Donald Schaefer, Baltimore.

Creative Financing

by Dorita deLemos Down

Creatively financing the acquisition of real estate is rapidly becoming the common form of negotiation.

We have seen more common methods such as owner financing, junior or secondary mortgages, land contracts, options, lease purchases and exchanging. The definitions of these sophisticated terms are plausibly available to most reliable and knowledgeable real estate brokers, including those dealing exclusively in primary residential properties. They have the tools at their disposal to assist a sophisticated purchaser, whether it be for investment or for tax-shelter purposes, since by law these real estate brokers are required to keep current their knowledge of real estate law and practices.

Creative negotiation is nothing new in the world of financing. It is merely an extension of the various conventional methods used to date in banking and lending circles.

Creative financing methodology has given rise to a new breed of real estate practitioners who conscientiously analyze, evaluate, study and take inventory of potential goals and the methods for achieving such goals so that together with the client they can determine the best solution and approach to every transaction.

These real estate practitioners stay abreast of information in their fields of endeavor, but they also maintain an up-to-date awareness of the various Congressional rulings which affect procedures for solving the individual problems of their clients. Specifically, these are tax changes affecting investment properties of single or corporate ownership.

What, for example, is wrong with creatively negotiating the financing of an

office building, which has a fine record of 98 percent occupancy over the last few years. (We can never use 100 percent occupancy.) The acquisition is made with no cash, so to speak. The contract nevertheless reads that a specific amount of cash will be placed in escrow by the time settlement or transfer of title approaches. We discover that the new owner has sufficient equity in other real estate but is "cash-short" for this specific transaction.

Let us create this hypothetical picture. We have an eight-suite, two-story office building, a modern structure with air conditioning, heating and parking, in essence, all the necessary amenities. It was appraised at \$700,000, with an existing first mortgage for \$250,000 at 10 percent per annum for another 10 years, payable at \$3500 a month. For further clarification we shall take this concept into a second year after acquisition.

Hypothetical Example I:

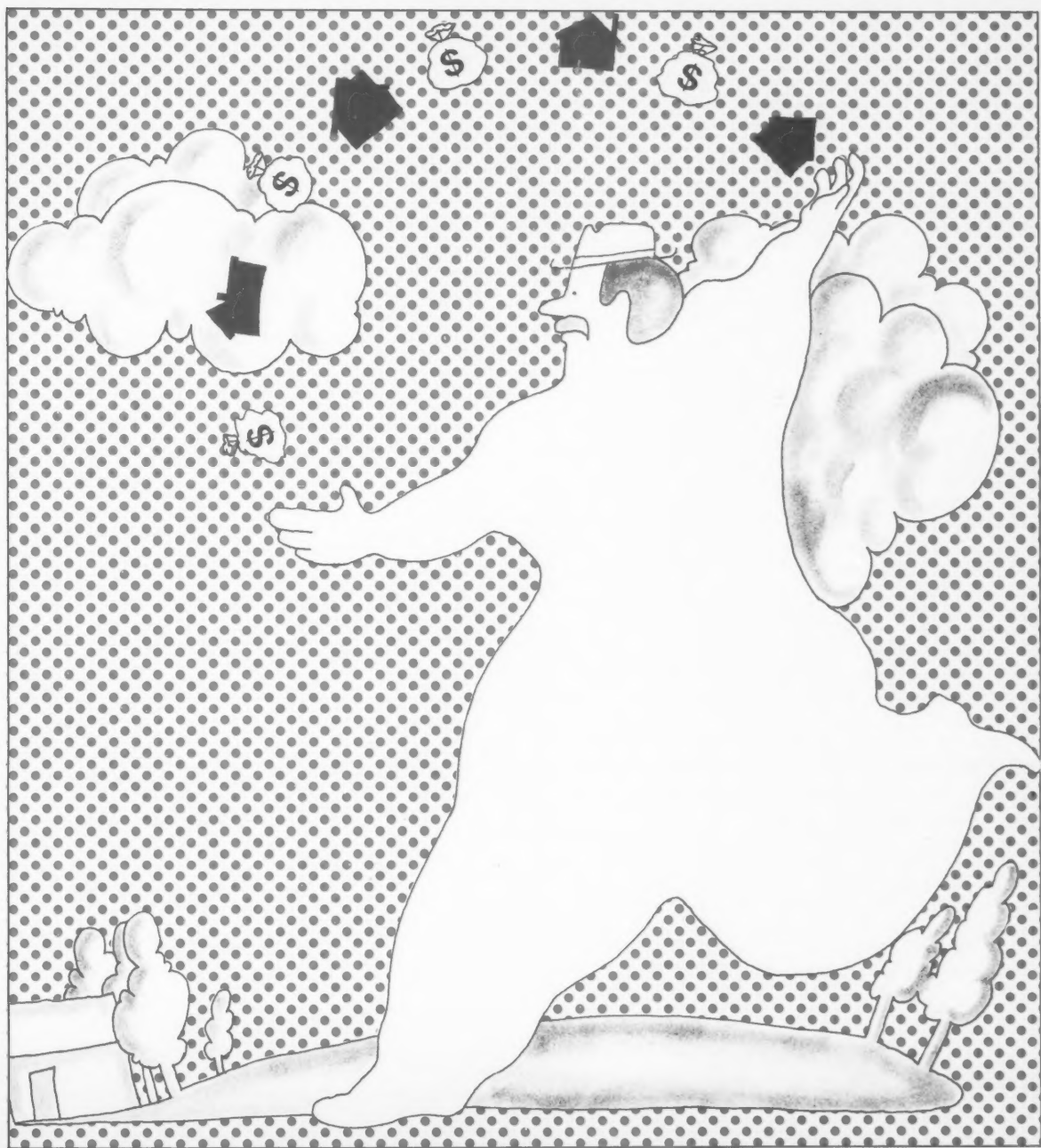
We are able to make the following arrangement with the original owner: Presumably, he would take back the existing \$450,000 in the form of a promissory note, with rights of assumption, for 12 years, payable yearly in the amount of \$50,000, including principal and interest, or a total of \$600,000. This gives the seller a 33 percent yield on his \$450,000 (if the present value of the future stream of income is not taken into account).

A normal annual appreciation for this type of office building is approximately 10 percent per annum. Also, a normal GOI (Gross Operating Income) annual appreciation is approximately 3 percent. We apply this increase as well to overall expenses, while debt service remains constant. The two-year calculations are made to show the reader the change from the first year to the second insofar as cash flow (bottom line) is represented, providing the investor with no out-of-pocket expenses at any time of the transaction, including at its inception. This exercise can be carried out, figuratively, to the total time period, showing an annual increase progressively in both cash flow (CF) and equity build-up.

Hypothetical Example II:

The above is a relatively simple method in explaining creative negotiation. The more daring can create additional variations. Let us expand for purposes of clarification, and show the greater benefits that can result by making the building more profitable. Let us take the same eight-suite, two-story office building. Suppose the 16,000 square feet of finished, usable space are divided into eight equal size suites of 2,000 square feet each. We shall create a horizontal break-up to eight different users of these eight offices, who in turn triple net (NNN) lease their space, making monthly payments at a rate of \$10.50 per square

	End of Yr. 1	End of Yr. 2
Acquisition and value of office building	\$700,000	\$770,000
Remaining existing mortgage balance	250,000	250,000
Equity	450,000	520,000
Gross operating income (GOI)	176,000	181,280
Overall expenses = 37.5% of GOI	66,000	67,980
Debt service on mortgage (first)	42,000	42,000
Total expenses	108,000	109,980
Cash flow before taxes or Net Operating Income (NOI)	68,000	71,300
Yearly promissory note payment (second)	\$ 50,000	\$ 50,000
NOI	\$ 18,000	\$ 21,300



foot, or a total of \$21,000 per annum, giving us a GOI of \$168,000 (assuming 100 percent occupancy). However, due to the agreement wording in the NNN, our building maintenance and overhead have been cut in half. For example,

	End of Yr. 1	End of Yr. 2
GOI	\$168,000	\$173,040
Overall expenses	33,000	33,990
Debt service (first mortgage)	42,000	42,000
Total expenses (liabilities)	75,000	75,990
NOI before taxes & payment of second mortgage	93,000	97,050
Payment of promissory note	50,000	50,000
NOI before taxes, or cash flow	\$ 43,000	\$ 47,050

Now with the NNN lease we do not have the problem of constant supervision of the real estate. As we become more sophisticated in our creative methods of financing, our yields increase further, especially when to the NOI we add not only the yearly appreciation of the property, but the additional benefits of property (structure) depreciation, over the life of the holding period, as well as the tax shelter provided by the interest payments and some of the overall expenses (which are deductible). Keep in mind at all times that our original downpayment was nil, and yet this approach is providing us with all sorts of benefits.

Hypothetical Example III:

Let us suppose that 3 years into our investment program we see another property, which is a possible addition to our portfolio. However, for argument's sake, we will not utilize the above described methods. With the value of the property being \$1,000,000, we discover that with 10 percent of that, or \$100,000, we can obtain a one year option. We can easily approach our friendly banker and show him our original acquisition, which by this time has appreciated to \$931,700 (at end of year 3), and our mortgage has perhaps reduced itself to approximately \$225,000, and the second mortgage,

which really is a promissory note, has also been lowered by \$150,000, thereby giving us an appraised equity position of approximately \$556,700. With our profit and loss statement to prove our track record, presumably we should have little

if any difficulty in obtaining the requested \$100,000 from our banker.

We have obtained a \$100,000 option on a \$1,000,000 building, leaving \$900,000 due at the end of the 12-month period, when its actual value will have appreciated the 10 percent we predicted, to \$1,100,000. Thus, approximately a 100 percent yield has been provided us on our original \$100,000 should we decide we do not want to purchase the property to include in our portfolio, but rather to sell the purchase option to someone else and keep the profit for ourselves. This is referred to as "selling the contract."

Other Variations

We have shown only three ways of making a profit within the field of creative financing. There are many more, with variations within these methods or in conjunction with others. Sophisticates within the trade have coined specific financing terminology, which, when not known by name, have a tendency to frighten potential investors. They are terms like "leverage," "exchanging," "net operating income," "cash flow" and others. Do not let these terms frighten you; for they merely tell you whether the property is making "greenbacks" for you or not, that is, whether the property is making you reach into your pocket for your hard earned cash savings or not, and

whether at the end of the holding period you have *made* something with your investment dollars, or whether your money has "gone down the drain."

Many lecturers travel the roads today, going from city to city, offering crash courses at stiff prices to the gullible who are greedy enough to want to be part of "get-rich-quick" schemes. Though the proper questions are directed at these persons, the best replies to those queries are not forthcoming, and if you go to one of these courses, you will come to the realization that in order to obtain something worthwhile, hard work is the only answer.

When success comes, you will have invested not only hard earned dollars, but hard work, perseverance, sweat equity, and good calculative powers.

Before Investing

Before investing in real estate, ask yourself the following questions. The answers will readily tell you if you are prepared to use creative financing in the real estate investment market:

- Can I afford to invest in real estate?
- What is my "fear threshold"?
- Does my family agree with me on my decision to invest in real estate?
- How much time can I and/or my family devote to this project?
- Am I being "real" in my analysis of the soundness of this project?
- Have I evaluated realistically all aspects of this project, both positively and negatively?
- Have I made a thorough study of this project and compared it with similar ones?
- Am I willing to walk away from the investment if it falls flat on its face?
- Am I putting all my "eggs in one basket"?

Ms. Down is Chairman of the Maryland Governor's Commission on Hispanic Affairs and is a Real Estate Investment Counselor in Montgomery County, Md.



***Unloving Care: The Nursing Home Tragedy*, by Bruce C. Vladeck. New York, The Twentieth Century Fund Inc., 1980. 305p. \$13.95.**

If this book were a movie it would have to be rated X. Why? Because it bares all the facts about not the worst or the best, but the typical nursing homes in our society; the sizable, but invisible industry that attracts public interest only when scandals and disasters occur. To begin, Dr. Vladeck describes a typical day in one of the Nation's 18,000 nursing homes. The average patient is over 80 years old. Seventy percent of them have incomes of less than \$3,000 a year. With 73 percent of the patients incontinent at least part of the time, it is no wonder that the air is thick with foul odors. As the author writes, "In these homes, residents live out the last of their days in an enclosed society without privacy, dignity, or pleasure, subsisting on minimally palatable diets, multiple sedatives, and large doses of television — eventually dying, one suspects, at least partially of boredom." The following information is posted on the bulletin board in the day room:

Today is *Monday August 12, 1980*
The weather outside is *cloudy*
The next meal is *lunch*

At this time we meet some of the nursing home staff and the person Dr. Vladeck refers to as "The Missing Physician." Ninety percent of all nursing home care is administered by aides. The nurses spend most of their time doing paper work. The "Missing Physician," required by law to visit each patient at scheduled times, has been known to make "gang visits," seeing 20 to 30 patients at one time. The major part of his time is spent filling out the necessary forms to collect his fee from Medicaid or Medicare. As we leave the facility, the author reminds us that 72 percent of the nursing homes have a waiting list and that a typical 75-bed nursing home has annual revenues of \$600,000 a year.

The next five chapters of the book give an in-depth look at the successes and failures of State and national attempts to establish policies and standards for regulating the levels of care and funding for nursing homes.

Direct regulation of the quality of nursing homes and the services they deliver has been an important Government activity for many years. In the late 1930's, the Social Security Act created a boom in the nursing home industry. As the number of homes increased, the level of care declined. States began imposing sanctions against nursing homes and many facilities were closed, leaving a number of patients with no place to go. This posed even more problems.

Many nursing homes are owned by chains. "Perhaps most intriguing," the author states, "is Unicare Services, Inc., a

Milwaukee-based firm that owns 84 nursing homes, operates 36 others; also owns Elaine Powers Figure Salons, a drugstore chain, a car wash, a franchise restaurant chain, and is a wholesaler of toys." The belief is widespread that the takeover of the nursing home industry by real estate tycoons and construction contractors contributed to the poor level of care and standards.

During 1969, the Moss Amendments required that nursing home administrators should be licensed. Also for the first time, the Government issued a list that contained all the services that must be provided by nursing homes if the qualifications for funding were to be met.

Over the years, the implicit message to nursing home regulators from Congress and State legislatures, has been, in the author's terms: "Maintain the highest possible standards of nursing home care without requiring more than incremental increases in Medicaid expenditures and don't stir up a political mess."

In the early 1970's it was first realized that "health care providers" were involved in large-scale stealing. One congressional aide estimated that between 10 and 20 percent of all Medicaid and Medicare funds were being stolen. If only two percent of every dollar expended on nursing home services is stolen or "misplaced," it would amount to a quarter of a billion dollars a year.

Dr. Vladeck describes the nursing home inspection process as a "weak link" in the regulatory chain. Until recently, nursing homes were notified in advance of the days they were to be inspected. In fact, evidence has shown that homes have been "inspected" with inspectors never seeing the patients.

In the final chapters of the book, Dr. Vladeck explores the future of nursing homes and offers alternatives to the nursing home industry. Although the Government experiences great problems with the industry, it is dependent on it just as nursing homes are dependent on the Government for funding.

In summary, the author admits that it is difficult to be optimistic about the future of nursing homes. He believes that we are the enemy. "We don't like to pay taxes and invest heavily in the future of society as opposed to our personal future. There are private needs that can only be met by public action and our society values the private much more than the public. This is easy for those who can make it on their own. But those who can't make their way privately are out of luck. So they sit in nursing homes, minds clouded by drugs, staring unfocussingly at daytime television, and soon, but not soon enough, they are dead."

Chad Buffkin
Program Assistant
OAS/Housing / HUD Headquarters

Focus on the Indian in Oklahoma

by Bob Cowger

Oklahoma, for those who have never been here, is a State of many contrasts, from the green Kiamachi hardwood forests of Eastern Oklahoma on through the rich, fertile, windy red plains of Central Oklahoma, to the dry and desertlike flats of the Panhandle area of Western Oklahoma. In this diversity live some 30 federally recognized tribes of Native Americans, called Indians. The aura of Indianism is a strong portion of the culture and heritage of Oklahoma. Oklahoma prides itself on Indianism. A substantial percentage of the population can trace its ancestry to one or more of the tribal units, through family history, or through the formal procedures of tribal or the Bureau of Indian Affairs enrollment.

Indianism

But, what is Indianism? Simply put, Indianism is a commitment to living in harmony with a person's mode of life in a tribal situation. For the Indian, the meaning of life evolves and revolves through the tribal unit connections. For it is through a tribe that identity can be established. The mores of Indian culture extend deeply into the extended familial roots and back into the dimness of the prehistoric past. For when the Indian came to Oklahoma, whether voluntarily or involuntarily, during the 1800's, he brought his culture from this past.

Indians fought fiercely and proudly to continue that part of their lives which makes them unique among all the other peoples of the world. To preserve the culture, the Indian became an historian. To preserve the

language, the Indian became a linguistic historian. To preserve the love of nature, the Indian has not had to change his attitude towards the Earth, as this is strongly built into the culture and language more than any other segment of his being. To preserve the uniqueness of the tribe, the Indian seeks bonds with family members and bonds himself, inexplicably and unalterably, into a unit called a tribe.

But, what is an Indian?

An Indian is one who "knows," believes, and accepts the total Indian philosophy of life. Several of the great Indian leaders were of mixed blood to one-eighth degree. Blood degree is only indicative of a small part of Indianism. Indianism is a deeply felt commitment of acceptance and belief in the tribe.

Expectations – White men vs. Indians

A dichotomy exists between the two dominant cultures that live side-by-side in Oklahoma. To the white man, the Indian represents a romantic figure of beads, buckskins, and feathers. To the Indian, the beads, buckskins, and feathers represent a way of life which is to be kept and never to be lost. Each wearing becomes a deep emotional experience and is a tie to the rich depth of tribal culture.

Treaty Right and Land

To the white man, the Indian on tribal land represents a picture of greed. To the Indian, verbal tribal history means that in exchange for tribal lands, the Indian can expect a certain return of monies and other goods. The Indian considers these past tribal lands as legally deeded to the United States by a

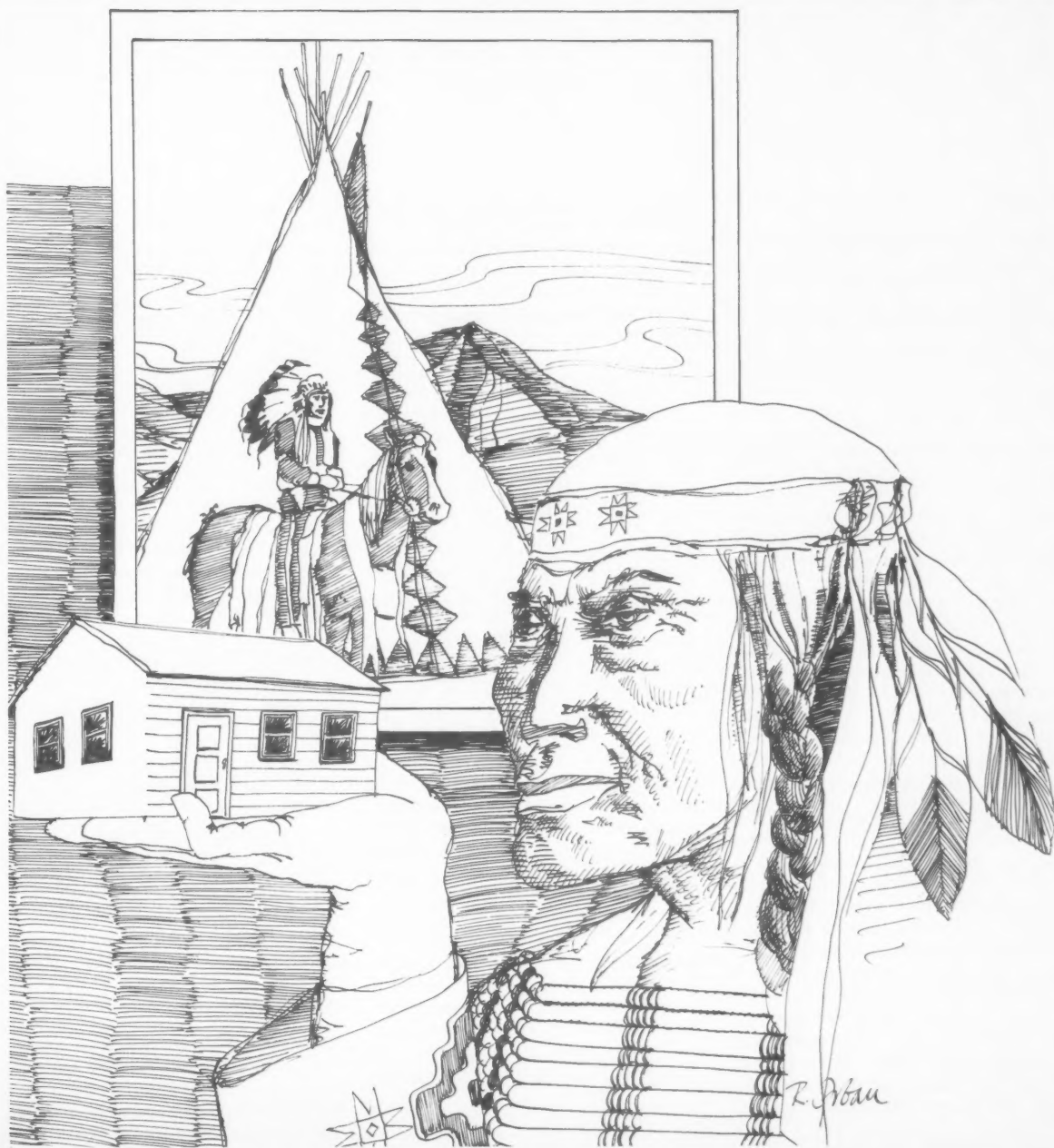
formally signed treaty or pact between two honorable bargaining parties and under honorable conditions. The treaty is expected to be honored by both sides "for so long as the grass may grow."

Land Value

To the white man, the land upon which the tribe is located has commercial value, and is something that can be "owned" as a possession. To the Indian, land is a gift from the "Great Appropriator" and belongs to the tribal family. Land is not generally felt as something to be owned by an individual, but rather by a community. It is to be used, but not damaged. Tradition says that honor and thanks are to be given to the Earth and its creatures for providing survival to the Indian and the family.

Dependency

To the white man, the Indian appears lazy and undependable. To the Indian, money which can be earned is to be used by himself, and his family or extended family, for what they may want or need. An Indian works for only that which he directly needs, and everything above that is to be used for the pleasure of gift giving. Time, as counted by a watch, means nothing to most Indians. Indian culture talks of time in terms of seasonal change, rather than in direct units of time. Time in itself has little or no meaning. The cultural instincts of competition which dominate the white culture are not a part of the Indian culture which stresses cooperation for survival between individuals. Personal relationships are preferred to hard business decisions.



Honesty

To the white man, the Indian is rather dishonest and never looks a white man "in the eye" when dealing with him. To the Indian, it is generally impolite and improper to look directly at someone when talking to them. "Eyeball-to-eyeball" contact is reserved only for times of outright hostility.

House versus Home

To the white man, Indians do not recognize a house as a possession which must be maintained. To the Indian, a house is not always a home. A house provides shelter, while a home is something special. An Indian may wish to move his home, or feel the need to move himself (called wanderlust), so as to "see the world from another direction." The problem is that a home *should* represent a dwelling with cultural value. For example, a wooden frame or brick veneer home to the Pueblo Indians of New Mexico is a thing of derision and to live in this house is degrading. Only those who can live in an adobe house have community status. It has been suggested that a pickup truck has more social value to an Indian than a house.

Physical Expression

To the Indian, the concept of manhood coupled with an extreme amount of individualism and honor produces strong emotions which are expressed (generally) physically. Non-Indians often feel that too many of the tribal meetings are wastes of time with all of the arguing and shouting and violence. To the Indian, these tribal meetings are a central part of their community existence and are

the bond to tribal affairs. Tribal meetings and tribal politics are a very serious business. Nearly all tribal councils operate as a true democracy.

Tribal Population and Land (former reservations)

The tribes in Oklahoma range in population from 200 to 20,000. This population is distributed generally within two-thirds of the State. Originally, the tribes were furnished an area quite large, but at the time of Oklahoma statehood county boundary lines were drawn without regard to the tribal boundaries. For example, the Choctaw Nation as originally granted and with county lines redrawn now covers all or part of 10 counties. Only one small reservation still exists in Oklahoma. Tribal population is both rural and urban, and often intermingled between tribes in counties which are predominantly occupied by another tribe.

Tribal Allotments

During the late 1800's and early 1900's, the Indian Affairs Commissioners took the stance that if an Indian was allotted 120 acres, a horse or mule, and a plow, that the Indian in time would be the same as a white man. So these tribal reservations, given in treaty, were allotted according to the number of males in a household, or by special provisions. The remainder of the land was then turned and used for the great Land Rushes of the late 1800's and early 1900's which brought a dramatic increase in the number of white population in Oklahoma. During the 1930's the Act of

Self-Determination, allowed Indians to sell their allotment or inheritance without tribal consent. Now, the old tribal grounds that remain within the tribal jurisdiction grow smaller and smaller with each year. The land is now scattered with small sites available for Indian Housing in several parts of a county or counties. To offset these losses, the tribes are now purchasing civil title to land. These lands are placed in trust for tribal use. These purchased lands do not yet offset the losses from sales.

Rural Indians have many problems, but those Indians who for many good reasons have had to become urban Indians face a different set of problems. The mutual mistrust and nonacceptance within communities "runs deep." The opportunity for creative and innovative solutions is at hand.

Realty and Law

The problem of land law is serious. Originally, the Indian Territory was administered through the laws of the State of Arkansas, with a small part of the Northeastern corner administered through the laws of the State of Kansas. These laws were combined with those of the Indian Sovereign Tribes, the military law of the Army, and when Oklahoma became a State, with State and Federal laws regarding inheritance and disposition of the original allotments of tribal lands.

Intertribal Conflicts

Tribal conflicts are a serious affair. Intertribal rivalries from the dim past, some long before the move to Oklahoma, are still remembered vividly by some members of the different tribal units. These past rivalries

are often brought forth and integrated into the present conflicts.

Large tribes have a tendency to try to dominate smaller tribes in meetings as well as in competition for Federal funds. Tribal council meetings are based on the inalienable right of a member of the tribe to say what he feels and to vote as he pleases. This is true democracy at its most complex form. Intertribal conflicts occur where the population has shifted and a number of certain tribal members live in an area which is dominated by the old tribal boundaries. Not only are there conflicts in and among tribes, but among tribes and the local State governments. For years the local governments have counted Indians as a part of their population in order to increase the level of poverty and receive Federal funds. As the Indians became aware of this practice, they began to demand their share for their use and control. Some of these particular problems are still to be resolved. A few of the tribes, rather than submit to dominance by another tribe or State government, will do without a housing authority.

HUD's Original Entry into Indian Housing

With this background in mind, remember that before 1962 all Indian housing was vested with the Bureau of Indian Affairs. Although HUD's predecessor agency began active involvement in 1962, it was not until 1974 that a unified approach with deliberate intent was made towards reducing the number of substandard housing units on tribal lands.

Between the years 1962 and 1968, HUD, the Bureau of Indian Affairs and Indian

Health Service tried valiantly to operate a housing program to reduce this substandard Indian housing. HUD was to do the funding and building of the units; BIA was to construct the necessary roads, and Indian Health Service was to provide good water and adequate sewerage. Each agency did its best, but coordination was difficult due to the manner, type of funding, and allocation practices of each agency. HUD allocated funding for some 5000 housing units to be built. By 1968, 6 years later, most of the original allocation had been built. But this three-way coordinated agency confusion was difficult to manage. During 1968, the National Council on Indian Opportunities, chaired by Vice-President Hubert Humphrey, began working to relieve some of the problems of Indian housing, job opportunity, education, etc., at the executive level. However, confusion and misunderstanding between the Indians and HUD representatives created a new set of difficulties. A goal was established of 6000 units per year for a 5-year plan, or a total of 30,000 units to be built. The Indians believed this meant that during the first year, if only 4,000 units were completed, then during the second year 8,000 units could be completed. This was an unfortunate error in communication. Tribal representatives looked at HUD as they did the Bureau of Indian Affairs' representatives. The first year of the plan did well, the second year was good, and from then to the end of the 5-year plan progress was poor in the completion of units. Inflation, a moratorium on Indian housing programs, as well as Indian mistrust reduced the effort.

HUD's Second Initiative

Again HUD took the initiative, and in 1974 sponsored a National Indian Housing Conference at Scottsdale, Arizona. The Conference involved a large number of tribal representatives from the continent and Alaska as well as the Secretary of HUD, several Assistant Secretaries, and full representation from the other governmental agencies that dealt with the tribes. The outgrowth of this conference was a commitment by HUD for a revived emphasis on Indian Housing.

Oklahoma with its unique problems of tribal diversity and land law problems became involved in Indian Substandard Housing. In 1967 Indian Housing authorities were added to the Oklahoma State Housing Act. Initially, 1,000 units were to be built. By 1970, approximately 500 were completed. Two tribes, the Comanche and the Kiowa, were the leaders in this effort. But the problems were severe in land and realty law.

Variances in Land Law in Oklahoma

When contrasted to the Indian tribes with definite reservations, for example, the Sioux, the Navajo, etc., the Indians of Oklahoma, represent a very unique set of land problems. Oklahoma has only one reservation, that of the Osage of the North Central area of Oklahoma. For a broad view only, the Indians of Eastern Oklahoma are allotment land Indians, and those of the western part of Oklahoma are trust land Indians. Each of these types represents a challenge to which HUD must adapt its urban housing philosophy and regulations.

Allotment Lands

Allotment lands are the areas created to put Indians on a par with whites. Generally, allotments were successful, with the five major tribes, the Cherokees, the Creeks, the Choctaw, the Chickasaw, and the Seminole. Each of these had a formal government prior to coming to the Indian territory during the 1830's and 1840's. The land allotment was fairly well settled with the time of the Dawes' roll of 1907; however, there are still problems with some of the allotments due to a difference of interpretation of Indian heritage.

What HUD asked was for the allotment Indian to provide (donate) one acre of land to the Indian Housing authority, and HUD would build a self-help house.

Not many Indians took advantage of the offer in the beginning. They looked at the history of land grabs from Indians, and thought that HUD would get one acre and then work on the other 159. As time went on, and the Indian saw that this was not happening, the Self-Help Mutual Housing program became fairly effective. The Cherokee and Chickasaw tribes have since ventured strongly into Self-Help Mutual Housing and the Low Rent Housing programs, while the Choctaw has preferred the Self-Help Mutual Program exclusively. The Seminole tribe, due to internal political problems, has not had any housing built in the last 10 years. The Creek Nation has utilized both the Self-Help Mutual Housing and Low Rent Housing in equal proportions.

Trust Land Problems

Trust lands are those lands which are administered and cared for by the U.S.

Department of Interior. The tribal council, or tribal housing authority decisions regarding land are approved or disapproved by the U.S. Department of Interior.

These lands originally belonged to a group of Indian tribes which are generally small in population, and scattered. They were the tribes which were originally farmers, or nomads. They were subsistence Indians, or were forced into a state of subsistence by cultural bumping pressures, or were those whose land was appropriated by white settlers. Tribes small in population, with an easily fragmented type of government, were often totally illiterate. After the Civil War, all Indians were rounded up and moved to the Indian Territory, or fought a war with the Army for control of the original tribal movement grounds. After the loss to the Army during the 1870's and 1880's, these people were totally disorganized, and having fought a desperate and devastating war for years, and existing in severe and abject poverty were placed on a reservation in the Indian Territory. The United States Government through the Department of Interior was forced to administer these lands for there was not a capable tribal government which could assume responsibility. The Indian lands were taken in to trusteeship by the Department of Interior, and remain in trust.

The allotment process of the late 1800's and early 1900's was applied to these Indian lands. There are now four types of Indian lands which became involved: the allotment held in trust; tribal lands held in trust; non-trust allotment lands; and non-trust tribal lands. Each type presents problems to the

legal staff of HUD. In addition to these land problems, the Department of Interior makes the final decision regarding the first two types of Indian lands. The tribe recommends, HUD recommends and the Department of Interior approves or disapproves.

Reservation

As stated earlier, there is only one reservation in Oklahoma – the Osage of North Central Oklahoma. The Osage Indians took their payment for tribal lands in Arkansas, and purchased land. The handling of housing starts and the Housing Authority is very similar to the problems confronting those of other recognized reservational areas. However, there is an exception: there are three areas (called towns but resembling communities) that are set aside for Osage Indians who have no other place to live. Should a house be built by HUD on these communal grounds, and should the Indian living in the house leave, the house must be destroyed and the land returned to its original status.

In the next article, Cherokee Housing will be examined. The Cherokees represent the largest of the Indian tribes in Oklahoma, and one which came to Oklahoma with a constitution, an elected republican form of government, its own language and high literacy rate in the written language, a system of justice, and an educational system.

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Lifestyles in Public Housing

by Charles Stevens

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Due to limited housing for low-income people in urban areas, public housing projects are usually filled to their capacities. In some of the most crowded developments there are waiting lists for available apartments. In some instances tenants say they live in these housing developments because they can't afford the rent they will have to pay on the private market. Due to other discriminatory practices some poor minorities believe public housing is better than the slums and ghettos that are available to them. In urban settings, then, it is not unusual to find the composition of a housing project dominated by a particular minority group. Given the constraints placed on the minority urban poor and the limited housing available they are forced to reside in these complexes with others of their minority who share a common low-income background. In spite of the common background and similar circumstances tenants frequently comment that, "all kinds of people live in public housing projects." Since they believe this, people who live in public housing projects develop ways of making distinctions among the other tenants who reside in the developments. They use these distinctions to select associates and friends for their day-to-day activities as well as to locate people who they believe share similar views about styles of living.

This article focuses on the internal organization of life in a public housing project in order to provide a picture of the various lifestyles that exist among the urban poor in a low-income community.

The Research

The research for this article was conducted with the tenants of a public housing project in an industrial city in the mid-western United States. Strategies used to collect data included the procedures of field research and participant observation. These strategies included my involvement with tenants as well as my interactions with other aspects of the housing development. A semi-structured interview guide was used to probe questions about people's involvement in the housing complex and about their involvement in various activities.

The "Other People"

Tenants in the project continually complain that if it weren't for these "other people," living in the project would not be a problem. Generally, "other people" are defined as the tenants who are obstacles to progress in the community. They are the people who are believed to be involved in the vandalism and crime. To some tenants, the "other people" are the tenants who "don't raise their children" and the "good time, party" parents. To other tenants they are the people who "stay for themselves" and will not become involved in activities for the betterment of the housing

development. While there is consensus that the "other people" are tenants who don't contribute to the enhancement of the locality, there is no agreement on who these people are. Some of the tenants even placed the official leaders in this category.

This procedure of categorizing the tenants as "other people" is an internal and informal process that does not have a public image outside of this housing development. Nevertheless, it is important to the residents in many ways. It is used as a stratification system to place tenants into smaller sub-groups and clusters according to various lifestyles. Through this system, tenants are socialized into the life of the public housing project. That is, through their awareness of the "other people," tenants learn who they can associate with. A great deal of energy likewise goes into learning who not to associate with, because in this kind of living situation the "other people" can create problems in everyday living. Determining who the "other people" are is dependent upon the tenant and his/her affiliations. Families generally interact with others whom they believe share similar views about a style of life. When there are doubts about neighbors and other residents, tenants use

a nonparticipation ideology to deal with the uncertainties. In this procedure the residents resist becoming involved with certain people until their identity can be clearly established. This response may take the form of avoidance as well as polite and ritualistic interaction. For outsiders, this activity can be easily interpreted as a benign resignation or apathy as tenants display an "I don't want to be bothered" attitude. This "non-participation ideology" is useful, nonetheless, as it is one way of adjusting to the different kinds of people and problems that exist in this compressed environment. Through this procedure residents avoid the "other people" and cluster around people they know, while they attempt to sustain themselves and their families.

Community Subdivisions

The categorization of the "other people" is used by tenants to form subdivisions of people who share similar perspectives. These small clusters are informal groupings of tenants who interact as tenants go about day-to-day activities and are used as a source for other important information. Although segmentalization of tenants appears to be arbitrary, they can be identified by their pattern of living. The following groupings seem to form some diversity in lifestyles of the residents: 1) the community elite; 2) the established citizens; 3) the old folks; 4) the men in the project; and, 5) the young adults.



These subdivisions are not mutually exclusive as tenants may be placed in more than one category. Neither do these listings exhaust the possibilities of the styles of living that exist in the development. Nevertheless, residents usually identify other tenants with a particular category and the person inherits the behavioral expectations associated with that grouping. The men in the project, for example, are not expected to participate in community activities and therefore they receive little recognition when they do. Residents use these subdivisions to maintain social distance from the "other people" and to maintain a sense of worth and individuality. In this manner the tenants withstand the stigma associated with living in a public housing project. These clusters are used to avoid those who are responsible for making the project a bad place to live. This procedure is used to develop local networks of friends, associates, and others who share common understandings. Through interactions in these informal networks individual tenants obtain basic goods and services.

When the different factions share mutual viewpoints they will support each other. The elite and established citizens, for example, have a strong identity with the housing project. Both groupings are highly regarded by the official administration – the elite for their leadership, the established citizens for their long tenure (10-20 years) as residents with clean records. The subdivisions also use each other to

maintain their lifestyles, if it does not create problems. The elite, to some extent, are dependent upon the established citizens, since they need a reliable group to support them in their community activities and to sanction their leadership. Established citizens, in return, seek the assistance of this legitimate core of leaders to shelter them from the newcomers and "other people" who are continually moving into the development. Through this interaction with a more respected grouping the established citizens are able to insulate themselves from the negative elements.

In some instances subdivisions conflict in terms of their perspectives and view each other as the troublemakers. The old folks often talk about the lack of responsibility of the young adults and see them as the troublemakers. The young adults are likewise critical of the old folks for their limited ability to appreciate a different lifestyle. The young adults also view the elite and established citizens as a source of trouble as they believe it is the teenage children of these respected residents that terrorize the development. Nonetheless, it is usually these young parents who are blamed for vandalism and reckless living by the housing authority as well as other tenants. In resentment, the younger tenants tend to cluster into a grouping and avoid the official activities in the

development. Since the younger tenants have different perspectives they don't participate and interact with these other subgroupings of tenants.

While community elite and established citizens are locally oriented, other subgroupings are more cosmopolitan. The young adults, in contrast to the reliable stable group, are more transient and frequently move about as their families increase in size. Senior citizens are generally involved in activities that take place outside of the housing project as well as those sponsored within the development. Many of these senior citizens selected this kind of living arrangement over the regular senior citizen development because they did not want to be around only old people. However, they expect to receive the same privileges and benefits of other senior citizens, so they are involved with a number of the city agencies. Community elite, of course, interact with these two groupings to obtain their support and the old folks frequently turn out in the largest numbers at organizational meetings.

Residents who reside in public housing, as we have emphasized in this discussion, seek others who share a similar perspective about life. Thus, there is a constellation of several subgroupings of tenants, some real, such as the elite and senior citizens, while others tend to be more psychological in nature. These groupings are restricted to a particular residential environment, but in many instances, they have conflicting and competing aims that prevent them from



perceiving the residential area as a community. While these subgroupings are not officially defined, the residents seem to maintain these clusters to sustain themselves and their styles of living in the midst of the various styles of living one finds in a public housing project.

Public Housing and Social Policy

It is in recognition of these different lifestyles that one finds implications for social policy. Emphasis must be given to these variations as it is through this internal structure that people respond to problems. Since this structure cannot be easily penetrated, the challenge is to shape social policy to incorporate different viewpoints and styles among the poor, rather than to merge viewpoints into a "community of the poor." Public housing is an illustration of a segmental living situation; therefore one should not look for a uniform response to action or single resolution to a problem. One can't change these lifestyles, perhaps, but policies can be changed to reflect the way people live.

One way social policy can reflect needs is to provide more outlets for participation. With the exception of some senior citizen homes, most public housing developments have little organized activity for residents. Although young adults and young children comprise a large amount of the residents, the local activities are not geared to these populations. Programs could be developed to involve these populations as they do in the senior citizen homes. Since many people reject identification with public housing, the problem of participation is a more severe one.

Beyond the official organizations, such as tenant councils and welfare rights, residents have no formal outlets for participation. These organizations serve important functions, but although they have a comprehensive coverage, they tend to be unilateral and do not always relate to the way poor people live. Many times they are designed for "career participants" and other residents may view them as "street level bureaucracies." In this sense, they do not provide an avenue for participation nor do they resolve many of the problems in day-to-day living. Since the responses and actions tend to be informal, social policy is needed to reflect the different modes of participation among the poor. In this manner people can be encouraged to develop outlets for participation based on their perspectives. Organizations developed in this manner relate more to everyday life and give less attention to the dismal view of life in the project. It provides a different option for people in their pursuit of individuality and allows more opportunity for communication among various groupings of people who reside in public housing projects.

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Acceptable Housing Alternatives

by Kenneth R. Tremblay, Jr.,
Don A. Dillman and Joye J. Dillman

Adapted from "Influence of Housing Norms and Personal Characteristics on Housing Preferences," Housing and Society, Vol. 6, p. 8.

Single-family homeownership has always been an important part of the American dream. However, the prospects of obtaining this desired housing situation have dimmed for many Americans. There now exist two major trends which cast a shadow on single-family homeownership. One trend is the growing difficulty of purchasing a single-family home. Rising housing costs that have outrun increases in medium-family income, together with skyrocketing mortgage-interest rates, have priced many people out of their preferred housing market. The second trend is an increasing scarcity of crucial building resources. Petroleum energy needed to heat and cool homes, land on which to build, and certain building materials have become relatively scarce. These shortages in building resources have contributed to rising housing costs and also indicate that the construction of single-family homes may decline in the near future.

As a result of these two trends a substantial number of Americans may be unable to purchase a single-family home in the future. This very real possibility raises a critical question which needs to be promptly answered: What housing situations will people find acceptable if they cannot buy a single-family home?

Survey Findings

A statewide survey of 2,801 Washington households was conducted to determine the acceptability of a variety of housing situations. In the survey, people were asked to state their most preferred housing situation and then their second most preferred housing situation. The seven housing options which respondents could select are presented in the table, along with the study's findings.

The first column of the table presents people's most preferred housing situation. It is obvious that the vast majority *prefer single-family homeownership*, as three-quarters of our respondents selected this

choice as their most preferred housing situation. The other six options received little support, with the number two choice of owning a mobile home and lot being preferred by only 8 percent of the people. These results reinforce what most of us already know about the housing tastes of Americans.

A look at people's second preference is much more interesting. Given the problems of rising housing costs and growing scarcity of housing resources, it is probable that many Americans will be faced with the possibility of living in their second preferred housing situation. Thus, the issue of second housing preferences is an important one. Looking at the second column of the table, it appears that there are three major alternatives to single-family homeownership: twenty-seven percent of our respondents said they would buy a mobile home and lot; twenty percent would rent a single-family home, and 18 percent would buy a townhouse. If people cannot own a single-family home, many would consider living in one of these three housing alternatives. The remaining options of renting a duplex, renting an apartment, and owning a mobile home on rented space each receive support from less than 10 percent of the people. Thus, they are not regarded as viable housing alternatives by most people.

We think there is an explanation for why some housing situations are more popular than others. It has to do with housing norms — generally agreed upon standards of what most Americans believe constitutes ideal housing. Americans place a high value on four major housing characteristics: homeownership, detached structure type, private outside space, and conventional structure type (house built on-site using conventional building materials). Single-family homeownership is the only housing situation which satisfies all four of these, and is, therefore, preferred by a majority of Americans. All of the other housing options fail to satisfy some of these.



Alternative Choices

It seems reasonable to expect that if Americans cannot purchase a single-family home they will select an alternative that satisfies as many of the four attributes as possible. This is exactly what our findings show. Owning a mobile home and lot (loss of conventionality) and renting a single-family home (loss of ownership) satisfy three of the four attributes, and they are regarded as acceptable housing alternatives by many of our respondents. Owning a townhouse (loss of detached structure and sometimes private outside space) is ranked next as a viable housing option. The remaining housing situations offer less than half of the features desired, and, accordingly, are not regarded as acceptable alternatives by most people.

From a policy standpoint, two major implications emerge from findings of our study. First, despite the high costs, most Americans want to own a single-family home. If at all possible, policy should be designed to assist people in obtaining their preferred housing situation. Single-family homes should be smaller, more energy efficient, and placed on smaller lots than we have grown accustomed to. This type of housing would still satisfy the four attributes but would be less expensive and use fewer resources. A major part of this policy direction, of course, would be to convince people that they can be happy in a more economical single-family home.

Second, if it becomes impossible to implement policies to aid people in purchasing a single-family home because of cost and resource concerns, policy might be designed to "sell" certain

housing alternatives which meet as many of the four stipulations cited as possible. It is clear from our results that the housing situations meeting most of the attributes are regarded as acceptable housing by many Americans. Thus, policy would place emphasis on providing Americans with housing options such as owning a mobile home and lot and owning a multiple-family dwelling (such as a townhouse). In short, if the most popular preferences cannot be satisfied, let us, at least, attempt to meet the second most desirable housing criterion.

Preferred Housing Situations

Choices	First Pref- erence (%)	Second Pref- erence (%)
Buy single-family house	76	7
Buy mobile home and lot	8	27
Rent single-family house	3	20
Buy townhouse	3	18
Rent duplex	3	9
Rent apartment	5	6
Buy mobile home on rented space	3	5
Gave first preference but no second preference	--	8

Dr. Tremblay is Assistant Professor, Department of Education and Family Resources, University of Nebraska - Lincoln; Dr. Dillman is Professor and Chairman, Department of Rural Sociology, Washington State University; and Ms. Dillman is Assistant Professor, Department of Child and Family Studies, Washington State University.

Neighborhood Self-Help in Bonnerton (N.C.)

by F. Marilyn England

In early spring, 1980, one of HUD's newest programs, Neighborhood Self-Help development, was brought to the attention of the town of Aurora and the adjacent community of Bonnerton, North Carolina, by the Rural Assistance Initiative Team of HUD's Greensboro office.

The Rural Initiative Team, a 2-year demonstration program charged with a special mission to assist small communities in rural areas, accomplished much of its work through outreach visitation to many small communities which had not been successfully participating in HUD programs. Many of the areas had not been able to participate in any of HUD's programs, and a function of the Rural Initiative Team was to identify the impediments that were causing difficulties, and to remove them where possible, by recommending waivers on occasion, and by giving technical assistance to the communities wherever and whenever needed. Additionally, the team explained HUD programs, including how to package them with private investment, self-help ventures, and other Federal and State aid.

At the time of the team's visit, the Bonnerton Community Club was grappling with neighborhood problems that included badly deteriorating housing, lack of facilities for clean water, plumbing, septic tanks and unsafe electrical wiring. Children played in and around stagnant pools of water which, without drainage, sat breeding mosquitos until the water dried up.



The Neighborhood Self-Help Development program is one facet of the Rural Initiative program, a 2-year experiment in the States of Washington and North Carolina.

Essie Long, schoolteacher and Community Club Board Chairman, had met many times with Cora Powell, also a teacher, and with others, after hours in the Community Center. Appropriately enough, the Center itself, a modest concrete block structure, had risen through self-help activities and steadfast determination of local volunteers in the early 1960's. Now doubling as a day care center, the building started from contributions of tobacco (some as little as one stick) and one concrete building block from each adult resident. Those who could, gave 25 cents each month to the building fund.

Local Bonnerthon residents had formed the Negro Home Demonstration Club in 1945 to improve their community. The first president of that club is today the oldest resident of Bonnerthon.

In 1950, a Farmers' Club was organized in conjunction with the Negro Home Demonstration Club, in order to improve the farming income locally. The combined clubs began providing drainage for low areas, digging ditches for run-offs, and petitioning State and Federal authorities for better roads.

Because the Bonnerthon community's self-help efforts continued, Coastal Plains Development Association contributed several small grants. Bonnerthon sponsored booths at the North Carolina State Fair in Raleigh and the money won from these competitions was used to purchase heaters and other items needed for the Community Center building.

A Migrant and Seasonal Farmworkers' Association (MSFA) was initiated largely due to the work and research of Ms. Powell and Ms. Long, and the MSFA grants were used for day care programs available to nine nearby communities where no facilities previously existed. A Headstart program evolved through the additional assistance of the Martin County Community Action, Inc. In combination with CETA, several Bonnerthon residents were trained and employed to staff the Day Care Center and the Headstart program. Training programs in construction, sewing, canning and basic education for adults have been administered through the Community Club, whose yearly budget for these activities is \$67,400.

With limited funds and unlimited local enthusiasm, some houses were winterized, and over the years, indoor plumbing was installed in 40 homes. "I was tired of our most promising people leaving the community to find better living conditions. I was determined to stay and help," said Essie Long.

Move to Self Help

Bonnerthon's grant application was prepared by the Town of Aurora's Community Development Director, Bruce Behringer, under the auspices of HUD's Greensboro Rural Initiative Team. Mr. Behringer also agreed to provide technical assistance and advice as

needed, in addition to the management consultant visits which are required by HUD from professional management consultants. Aurora, successfully administering a Small Cities Community Development Block Grant program in its town of 780 residents, wished to help its smaller neighbor, but under Block Grant regulations, could not go outside the target areas to include Bonnerthon. Neighborhood Self-Help Development seemed to be a timely, possible solution and an application was submitted.

In June 1980 Bonnerthon received approximately \$96,000 under the Neighborhood Self-Help Development Act of 1978, which authorizes grants to neighborhood, nonprofit organizations for specific housing, economic or community development and other appropriate neighborhood conservation and revitalization projects in low- to moderate-income neighborhoods. One goal is to increase the capacity of the grantee to utilize and coordinate resources available from public and private sectors and from the residents and neighborhoods themselves in conserving and revitalizing such neighborhoods.

Bonnerthon's project has two main components. The first is making major improvements in households needing facilities for clean water, plumbing,

septic tanks, electric wiring and drainage. The second component involves the training of neighborhood residents in home repair and maintenance skills. About 40 residents are now being trained to form a construction crew to help many elderly homeowners make repairs to their houses in order to halt deterioration.

An enthusiastic graduate from a North Carolina university was hired as a full time project director. She has quickly become acquainted with the local residents, and with their schools and churches.

A needs assessment has been compiled for each participating household. The homeowner inspects the house, noting repairs needed; then the local resident who has been hired as household repair technician compiles his own list. The project director coordinates the most urgent needs among all of the houses, and each house is assigned a number. A map has been prepared that identifies each house by number and location. Progress is charted daily. The map hangs in the community building, where all can watch and note the progress being made.

A voluntary tool bank was assembled to augment the approximately \$1,000 tool bank purchased to repair the 44 houses targeted for repair. Items from this tool bank may be loaned to any resident needing them.

Major repairs such as plumbing, digging septic tanks, and electrical wiring are being subcontracted. The State of North Carolina is expected to install drainage tiles to be purchased by Bonnerton with grant funds.

Already, as of this writing, several homes have been repaired by being put on jacks, and concrete blocks put underneath to bolster sagging floors. Floor joists have been added as needed. Work has now begun on the roofing of several houses requiring either repair of roofs or new roofs. The required visit of the management consultants has been completed.

Volunteers, working on four Saturdays, and using their own trucks, have torn down a large old home in Aurora, and hauled away usable materials such as tinning and lumber, to be used as needed in Bonnerton.

While the budget for the Neighborhood Self-Help Development program is low, (it was only \$15,000,000 nationwide in 1980) it offers opportunities for nonprofit, voluntary neighborhood organizations to continue improvement measures they have been working on.

A new handbook has been published by HUD's Office of Neighborhoods, Voluntary Associations and Consumer Protection, called a *Neighborhood Self-Help Sampler*, which is for sale through the Superintendent of Documents, Washington, D.C. It offers case studies of various community self-help programs, funding sources utilized and much information.

One may conclude that successful programs can be accomplished in small, rural communities, given an innovative

idea, a valuable tool such as this program, and an outreach organization such as the Rural Initiative program to bring information and technical assistance.

Since it is primarily the effect on the people involved, rather than on structures, which determines the real success or failure of a program, the pride and interest reflected by Bonnerton residents evidence success to date. Elderly stroke victims, as well as young children, now enjoy safely reinforced porches and steps. There is the feeling in this "Can do" community that further progress is just down the road, and using the construction knowledge gained from working in a household repair team, a Farmers Home Administration Self-Help housing program may be feasible at a later date for some 6 to 10 residents.

A community organization can do much for itself by exploring aid from every source and infusing a generous amount of self-help. Bonnerton has proved itself such a community.

Ms. England is a Rural Community Economic Development Specialist in HUD's Greensboro, N.C. Area Office.

Lines and Numbers



Selected Characteristics of the Graduated Payment Mortgage Program

In order to facilitate early homeownership for households that expect their incomes to rise substantially, the Graduated Payment Mortgage program, Section 245, was enacted in 1974. The graduated payment plan allows young couples to buy homes having HUD/FHA-insured mortgages to start homeownership with lower monthly mortgage payments.

Under GPM, a borrower, in effect, borrows additional money during the early years of the mortgage which is used to reduce the monthly mortgage payment due during those early years. This additional loan is added to the mortgage and is repaid by slightly increasing the payments to be made in later years. This will enable families with expected increases in incomes to take advantage of those expected increases and buy a home sooner. A home buyer who would have difficulty meeting monthly mortgage payments under present level payment schedules will now have 5 payment plans to choose from, selecting the one which best suits his or her needs.

During 1979 a total of 130,155 single-family housing mortgages were insured by HUD/FHA under Section 245. Geographically, one-third of all Section 245 mortgage loans in 1979, were insured in California. With the exception of Chicago, Illinois, the 10 metropolitan areas most active in this program, are located in the southwest or the far west.

Section 245 - Graduated Payment Mortgage Program

Characteristics	New Housing	Existing Housing
Property		
Average value (dollars)	49,378	42,858
Market price of site (dollars)	6,050	6,846
Living area (sq. ft.)	1,440	1,365
Average no. of rooms	5.8	5.8
Average no. of bedrooms	3.0	2.9
Structures with garage (%)	42.7	38.7
Structures with carport (%)	8.7	26.0
Financial Status (Occupant)		
Mortgage amount (average dollars)	48,021	46,069
Mortgage terms (years)	30.0	30.0
Net income (monthly average)	1,633	1,562
Housing expense (% of net income)	32.7	32.6
Other recurring charges (% of net income)	19.0	18.7
Monthly Payment (Occupant) (Dollars)		
Principal and interest	317.95	305.17
Mortgage insurance premium	19.80	19.04
Hazard insurance	14.91	12.92
Real estate taxes	59.20	52.06
Mortgage payment	411.86	389.19
Maintenance and repairs	27.90	29.12
Heating and utilities	71.52	67.11
Housing expense	511.28	485.42
Other recurring charges	323.89	306.72
Total fixed payment	835.16	792.14
Purchase Transactions (Dollars)		
Total acquisition cost	54,268	52,093
Sale price	53,345	51,157
Property value	54,620	52,081
Mortgage amount	48,021	46,069
Market price of site	11,214	11,997
Total estimated effective income	23,218	22,053
Current investment	6,247	6,024

Prepared by Robert Ryan, HUD Office of Organization and Management Information, Wash., D.C.

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